



U.S. Department of Justice

*United States Attorney
District of Maryland
Northern Division*

*Thomas M. DiBiagio
United States Attorney*

*Vickie E. LeDuc
Public Information Officer*

*6625 United States Courthouse
101 West Lombard Street
Baltimore, Maryland 21201-2692*

*410-209-4800
TTY/TDD: 410-962-4462
410-209-4885
FAX 410-962-3091
Vickie.LeDuc@usdoj.gov*

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**FOR FURTHER
INFORMATION CONTACT
VICKIE E. LEDUC, AUSA
(410) 209-4885**

COHN AND FOUR STAR SENTENCED FOR TELEMARKETING FRAUD

Baltimore, Maryland. United States Attorney Thomas M. DiBiagio announced that U.S. District Court Judge Andre M. Davis sentenced Mark Forrest Cohn, age 49, of Woodside, California late in the evening on January 30, 2004 to 57 months in prison followed by 3 years of supervised release, and a criminal fine of \$150,000, following his June 12, 2003 conviction on charges of mail fraud, wire fraud, and conspiracy arising from a telemarketing scheme that defrauded more than 31,000 consumers of over \$3.6 million. Cohn was the executive vice president and general counsel of Four Star Financial Services, LLC, a California corporation also convicted of conspiracy and mail and wire fraud following a six week trial in June 2003. Judge Davis also sentenced the corporation to pay a \$1,000,000 criminal fine.

Following the June 2003 guilty verdicts, creditors and investors of Four Star filed involuntary bankruptcy proceedings in the Central District of California.

Four Star Financial Services was a California corporation that specialized in lending and factoring to businesses. Mark Cohn was, until shortly after his conviction, its general counsel and executive vice president. Four Star had extensive loans throughout the 1990's to Joel Katz, a

Baltimore telemarketer. Beginning in the summer of 1999, Mark Cohn caused Four Star to loan monies to Joel Katz to fund a telemarketing program offering a credit card or extension of credit to consumers.

Evidence presented at trial showed that telemarketing representatives located in Baltimore and telemarketing rooms throughout the United States, using scripts written by Joel Katz, spoke on the telephone with consumers to persuade them to purchase a program called The Money Club, The Tele-Money Club, Smart Savers Club, Cash Card Club, Cash Card Express and National Consumers Benefits Club for prices ranging from \$49.95 - \$149.95. Consumers were told that in exchange for their money, they would receive benefits, including a credit card for which the consumer had been “pre-approved,” a line of credit for which they were “approved right now over the phone for \$150,” and valuable coupons and discounts. The telemarketing representative would persuade the consumer to agree to the automatic debit of their bank account to pay for “club” membership.

The package that was sent to consumers contained not a credit card, but a list of banks to which the consumer could apply for a credit card, a coupon book, and CD rom which Katz purchased for \$3.47.

Because Katz was not making satisfactory progress in paying off his debts to Four Star, Cohn and Four Star asserted greater control of the telemarketing program until late February 2000, when Cohn and Four Star effectively removed Katz. Cohn and Four Star continued to market the same program to consumers under the names National Consumer Benefits Club and Compass Benefits Club. Cohn and Four Star hired former Katz employees Jeffrey Augen, Judith Lugo, and Shawn Hatfield to work for them. In addition, Daniel Connor operated the telemarketing program for Four Star. To conceal its interest in the telemarketing program, the evidence showed that Four Star told

consumers that its “main offices” were located in Bedford, Texas, which was the location of a mail drop. In addition, Mark Cohn and Four Star caused National Consumers Benefits Club to be incorporated in the name of Shawn Hatfield, and Compass Benefits Club to be incorporated in the name of Daniel Connor.

Today’s sentencing brings to a conclusion a lengthy telemarketing fraud investigation conducted by the Federal Bureau of Investigation and the U.S. Postal Inspection Service. In all, three defendants, Jeffrey Augen, Shawn Hatfield, and Daniel Connor, pled guilty to mail or wire fraud, and four defendants were convicted after lengthy trials – Joel Katz and Judith Lugo in May 2002 and Mark Cohn and Four Star Financial Services in this trial. Joel Katz, age 64, formerly of Ruxton, Maryland is presently serving a 97 month sentence for money-laundering, and concurrent 60 month sentence for conspiracy, mail and wire fraud charges, a concurrent 37 month sentence for bankruptcy fraud, and a concurrent 19 month sentence for being a felon in possession of a gun. Judith Lugo, age 34, formerly of Yonkers, New York is presently serving a 51 month sentence of imprisonment on conspiracy and mail and wire fraud charges. Hatfield was sentenced to 51 months in prison, Connor to 10 months in prison, and Augen to 12 months in prison.

United States Attorney Thomas M. DiBiagio gave special thanks to the consumers who came forward and brought this criminal conduct to the attention of law enforcement authorities.

The case was prosecuted by Assistant U.S. Attorneys Joyce K. McDonald and Robert R. Harding.